THE ILLUMINATION FOUNDATION

CERTIFIED PUBLIC ACCOUNTANT'S AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

THE ILLUMINATION FOUNDATION

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Independent Auditor's Report

To the Board of Directors
The Illumination Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Illumination Foundation, (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Illumination Foundation as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021 on our consideration of The Illumination Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Illumination Foundation's internal control over financial reporting and compliance.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 10, 2021

THE ILLUMINATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Current Assets	
Cash and cash equivalents	$ 1,782,439
Accounts receivable	2,119,704
Other receivables	1,314,853
Prepaid expenses	354,022
Total current assets	5,571,018
Property and Equipment	
Buildings, furniture, equipment, improvements & land, net of accumulated depreciation of $1,013,343	14,025,176
Deposits	728,187
Total assets	$ 20,324,381

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 3,754,822
Accrued liabilities	1,106,000
Current maturities of notes payable	184,237
Current portion of service obligation	54,311
Deferred revenue	994,222
Total current liabilities	6,093,592
Long Term Liabilities	
Notes payable - net of current maturities	3,441,169
Service obligation - net of current portion	249,027
Line of credit	500,000
Total liabilities	10,283,788
Net assets	
Without donor restrictions	9,166,357
With donor restrictions	874,236
Total net assets	10,040,593
Total liabilities and net assets	$ 20,324,381

The accompanying notes are an integral part of these financial statements.

THE ILLUMINATION FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Program service fees	$ 8,926,965	$ -	$ 8,926,965
Federal and state contracts and grants	31,538,987	-	31,538,987
Contributions	4,685,234	1,258,655	5,943,889
Special events, net of direct expenses of $222,592	916,927	130,500	1,047,427
In-kind contributions	1,028,121	-	1,028,121
Other income	361,069	-	361,069
Net assets released from restrictions	1,506,301	(1,506,301)	-
Total revenue and other support	48,963,604	(117,146)	48,846,458
Expenses			
Program services	38,993,562	-	38,993,562
Management & general	2,624,925	-	2,624,925
Fundraising	957,150	-	957,150
Total expenses	42,575,637	-	42,575,637
Increase/(decrease) in net assets	6,387,967	(117,146)	6,270,821
Net assets at beginning of year	2,778,390	991,382	3,769,772
Net assets at end of year	$ 9,166,357	$ 874,236	$ 10,040,593

The accompanying notes are an integral part of these financial statements.

THE ILLUMINATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	Management & General	Fundraising	Total
Advertising	$ -	$ 119	$ 20,735	$ 20,854
Bad debt expense	158,379	8,053	3,418	169,850
Conference, convention & meetings	66	4,212	270	4,548
Depreciation	575,099	39,946	16,952	631,997
Direct client care	6,713,831	16,519	1,213	6,731,563
Donated services, materials and facilities	801,961	4,022	151,931	957,914
Dues, fees & subscriptions	12,698	59,989	4,030	76,717
Employee benefits	1,305,904	117,354	42,775	1,466,033
Equipment rental and maintenance	627,089	46,043	549	673,681
Insurance	777,723	43,665	13,427	834,815
Interest expense	77,211	62,543	-	139,754
License, permits and taxes	168,555	30,400	146	199,101
Miscellaneous	4,797	10,191	2,349	17,337
Office expense	8,353	20,439	10,618	39,410
Payroll taxes	745,825	86,198	37,399	869,422
Professional services	5,706,463	517,532	94,271	6,318,266
Salaries	12,158,400	1,251,464	542,403	13,952,267
Rent, parking and other occupancy	1,993,316	20,729	2,879	2,016,924
Repairs and maintenance	324,121	52,927	-	377,048
Staff development and recruiting	22,467	103,715	2,105	128,287
Supplies	614,200	45,297	6,323	665,820
Telephone	139,440	25,870	2,430	167,740
Temporary help	5,523,549	1,990	-	5,525,539
Travel	99,141	37,051	927	137,119
Utilities	434,974	18,657	-	453,631
Total Expenses	$ 38,993,562	$ 2,624,925	$ 957,150	$ 42,575,637

The accompanying notes are an integral part of these financial statements.

THE ILLUMINATION FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

Cash flows from operating activities	
Increase in net assets	$ 6,270,821
Adjustments to reconcile change in net assets	
Depreciation	631,997
Bad debts	169,850
Amortization of service contract	(58,893)
Loss on disposal of asset	5,485
(Increase) decrease in operating assets	
Accounts receivable	(1,027,666)
Prepaid expenses	(148,872)
Deposits	(176,922)
Increase (decrease) in operating liabilities	
Accounts payable	1,268,078
Accrued liabilities	67,852
Deferred revenue and refundable advance	(1,193,753)
Net cash provided from operating activities	5,807,977
Cash flows from investing activities	
Acquisition of property and equipment	(8,957,726)
Net cash used in investing activities	(8,957,726)
Cash flows from financing activities	
Repayment of notes payable	(66,890)
Proceeds from notes payable	1,925,000
Net cash provided from financing activities	1,858,110
Net (decrease) in cash and cash equivalents	(1,291,639)
Cash and cash equivalents at beginning of year	3,074,078
Cash and cash equivalents at end of year	$ 1,782,439
Supplemental disclosures	
Cash paid during the year for interest	$ 96,882
Noncash investing and financing activities:	
Financed vehicle purchase	$ 163,078
Financed property purchase	$ 438,000

The accompanying notes are an integral part of these financial statements.

NOTE 1: NATURE OF ORGANIZATION

The Illumination Foundation ("IF") is a non-profit organization established to provide housing and social services to homeless individuals and families. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code.

IF combines housing and social services with healthcare and behavioral mental health services to reduce the impacts of homelessness and people's vulnerability to future homelessness.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

New Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This update was issued to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 became effective for fiscal periods ending June 30, 2021, and management has adopted ASU 2014-09 as of and for the year ending June 30, 2021.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. The Organization will be required to adopt ASU 2016-02 effective for the fiscal year ending June 30, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on the Organization's financial statements and related disclosures.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or nonexistence of restrictions on use that are placed by its donors. The two classes of net assets are as follows:

> Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organization's operations. The only limits on the use of these net assets, if any, are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
>
> Support that is restricted by a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.
>
> Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a specified purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with donor's restrictions.
>
> The Organization's unspent contributions are included in this class if the donor has limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resource for a specified purpose or for a future period. All expenses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Organization places its cash deposits with high-credit quality financial institutions. At times, balances in the organization's cash accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insurance limit. The Organization has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Accounts Receivable

Accounts receivable include balances due from various federal, state and local agencies in connection to the recuperative care program, third-party contracts and grants. Recuperative care receivables are due within 30 days. Contract and grant receivables are due upon receipt, in connection to expense reimbursement agreements.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the collectability of the various accounts receivables. In the opinion of management, all receivables for the year ended June 30, 2021 are collectable. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

Property and equipment purchased by the Organization are carried at cost. Major renewals and betterments are capitalized. The Organization's capitalization threshold is $1,000. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to income.

Contributed property and equipment are reported as support and carried at fair value at the time of donation. Assets donated with restrictions regarding their use and contributions of cash that must be used for property or equipment are reported as restricted support. Absent donor stipulations regarding how long their donated assets must be maintained, the Organization reports expirations of restrictions when the donated or acquired assets are placed into service.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets as follows: computer and equipment for 3 to 5 years; furniture and fixtures for 5 years; vehicles for 3 to 5 years; leasehold improvements for 2 years; and building and improvements for 7 to 25 years.

Investments

Investments in limited liability companies in which the Organization does not have control but has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting. The equity method investments are recorded in the statement of financial position and the Organization's share of earnings or losses from these investments are recorded in the accompanying statement of financial activity.

Income Taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Compensated Absences

Vacation benefits are allowed to accumulate and upon an employee's termination or retirement are paid out at the individual's regular payroll rate. The balance of accumulated vacation benefits at June 30, 2021 was $384,740 and is included in accrued liabilities in the statement of financial position.

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are deferred to the applicable period upon the completion of the related exchange transaction. Deferred revenue as of June 30, 2021 totaled $994,222.

Donated Materials, Services, and Facilities

Donated noncash assets are recorded at estimated fair values at the date received. Donated materials and noncash assets received during the year ended June 30, 2021 totaled $611,723. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and the Organization would otherwise need to purchase the services. Donated services for the housing, recuperative care, children's and healthcare outreach programs totaling $259,398

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials, Services, and Facilities (continued)

were received and recognized during the year ended June 30, 2021. The Organization received $6,832 in contributed services that were not recognized in the statement of activities during the year ended June 30, 2021. Donated facilities are reported as support income and rental expense. The total of donated facilities was $157,000 during the year ended June 30, 2021.

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has a contract with the County of Orange for Alternative shelter location services. The fees are received on a flat rate basis and are nonrefundable, and therefore are comprised of an exchange element based on the benefits received, and a contribution element for the difference. The Organization recognizes the exchange portion of fees when performance obligation has been satisfied, and the contribution portion immediately. Payments are received at the beginning of each month, amounts received in advance are deferred to the applicable period.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

In accordance with ASU 2018-08, *Not-for-Profit Entities – Revenue Recognition (Subtopic 958-605),* the Organization is first required to determine whether a contribution is conditional or unconditional. An unconditional contribution is recognized immediately and classified as either net assets without donor restrictions or net assets with donor restrictions. Conditional promises to give that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or service are charged directly to the program or service. Costs common to multiple functions have been allocated among various functions benefited using a reasonable allocation method that is consistently applied. The expenses that are allocated are as follows:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

- The time and effort method is used to allocate salaries and benefits, professional services, temporary help and travel costs.
- Staffing, or the number of employees per department or program, is the method used to allocate costs for depreciation, rent, repair and maintenance, insurance, office expense, supplies, telephone and utilities.

Management and general expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising expenses are expensed as incurred and are charged to the respective fundraising cost center. When the Organization incurs shared costs that are both fundraising and management and general, the costs are allocated based on the methods described above.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2021 was $20,854.

Subsequent Events

Management has evaluated subsequent events through December 10, 2021, the date when the financial statements were available for issue.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 is comprised of the following:

Buildings & leasehold improvements	$ 9,222,162
Furniture & fixtures	244,378
Computers & equipment	189,840
Vehicles	375,744
Construction in progress	3,464,424
Accumulated depreciation	(1,013,343)
Subtotal	12,483,205
Land	1,541,971
Total	$ 14,025,176

Depreciation expense for the year ended June 30, 2021 was $631,997.

NOTE 4: INVESTMENTS IN LLC's

Illumination Housing LLC

During January 2020, the Organization became a member of Illumination Housing LLC ("IHLLC"), a real estate investment entity. IHLLC was created to acquire and own properties through separate limited liability companies for the purpose of serving homeless individuals and families throughout Southern California. IHLLC has common and preferred member units. The Organization is the sole managing member owning 100% of common units with a $100 investment in IHLLC. The preferred units are owned by four members, two of which are affiliated with the Organization, with capital contributions totaling $5,000,000. As manager of IHLLC, the Organization is entitled to receive an annual management fee of 1.5% of total capital contributions plus total outstanding principal amount of all debts. For the year ended June 30, 2021, the Organization earned $91,086 in related management fees. The Organization obtained a loan from IHLLC for $1,800,000 and is disclosed in Note 7.

During the year ended June 30, 2020, IHLLC acquired 9942 Broadway LLC, 8112 Holt LLC, 1927 Chateau LLC subsidiaries, the latter two were subsequently renamed IHLLC Holdings I, LLC and IHLLC Holdings II, LLC, respectively. In accordance with the property management agreement, dated January 1, 2020, the Organization, acting as an agent, is entitled to a property management fee of 6% of each LLC's effective gross income. For the year ended June 30, 2021, the Organization earned $31,379 in property management fees. In addition, the Organization paid rents totaling $492,410 for the rental of the properties under IHLLC.

The Organization has elected to account for the investment in IHLLC using the equity method of accounting and has recorded the investment in the statement of financial position. The Organization also recorded its share of IHLLC's current year operations as an adjustment to the investment.

Summary results of the consolidated operations and financial position of IHLLC and its affiliated LLC's are as follows:

Condensed income statement information as of and for the year ended June 30, 2021

Rental income	$	522,323
Interest income		8,605
Total expenses		(231,513)
Net income	$	299,415

NOTE 4: INVESTMENTS IN LLC's (continued)

Illumination Housing LLC *(continued)*

Condensed balance sheet information at June 30, 2021

Cash	$	181,403
Current assets		49,383
LT receivable		1,800,000
Property and equipment, net of accumulated depreciation of $42,770		5,856,755
Total assets	$	7,887,541
Current liabilities	$	21,906
Long-term liabilities		2,900,000
Capital contributions		5,000,100
Capital distributions		(238,627)
Member's equity		204,162
Total liabilities and equity	$	7,887,541

LIFT Housing LLC

During the year ended June 30, 2020, the Organization entered into a joint venture agreement with LifeArk Community, Inc., a California non-public benefit corporation, to create LIFT Housing LLC ("LIFT Housing"), a non-profit limited liability company. LIFT Housing was created for the charitable purpose of marketing and developing modular homes to accelerate available housing for the homeless and other vulnerable populations. The Organization and LifeArk Community, Inc. both have 50% interest in LIFT Housing. The investment will be recorded using the equity method of accounting.

Summary results of the operations and financial position of LIFT Housing as of June 30, 2021 are as follows:

Condensed income statement information as of and for the year ended June 30, 2021

Fee income	$	15,000
Interest income		13,970
Total expenses		(27,902)
Net income	$	1,068

NOTE 4: INVESTMENTS IN LLC's (continued)

LIFT Housing LLC (continued)

Condensed balance sheet information at June 30, 2021

Cash	$	17,661
Receivables - LifeArk		673,970
CIP		16,468
Total assets	$	708,099
Current liabilities	$	8,153
Accrued interest		11,321
Loan - OCCF		687,900
Member's equity		725
Total liabilities and equity	$	708,099

LifeArk El Monte LLC

On May 19, 2019, the Organization became a member of LifeArk El Monte LLC ("LAEM"), a company formed to carry out the members' charitable purposes, including the acquisition, development, and operation of affordable housing for low-income residents. On October 1, 2019, a second amendment and restated operating agreement was executed which ultimately assigned the Organization a 33% interest in LAEM. The investment will be recorded using the equity method of accounting.

Summary results of the operations and financial position of LAEM as of June 30, 2021 are as follows:

Condensed income statement information as of and for the year ended June 30, 2021

Other income	$	-
Total expenses		(134,547)
Net loss	$	134,547

NOTE 4: INVESTMENTS IN LLC's (continued)

LifeArk El Monte LLC

Condensed balance sheet information at June 30, 2021

Cash	$	7,824
Property and equipment		2,937,230
Total assets	$	2,945,054
Current liabilities	$	465,529
Long-term liabilities		2,613,645
Member's equity - deficit		(134,120)
Total liabilities and equity	$	2,945,054

NOTE 5: RETIREMENT PLAN

The Organization established a voluntary defined contribution 401(k) retirement plan for its employees under which it matches participant salary deferrals up to 3.5% of the employee's salary. During the year ended June 30, 2021, the Organization contributed $261,047 to the plan and had a related accrual of $104,383, which is included in current liabilities in the statement of financial position.

NOTE 6: LIQUIDITY AND AVAILABILITY

Financial assets without donor restrictions limiting their use within one year of June 30, 2021, which are available for general expenditures are as follows:

Financial assets:		
Cash and cash equivalents	$	1,782,439
Accounts receivable		2,119,704
Other receivables		1,314,853
Total financial assets		5,216,996
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted net assets		(874,236)
Amount available for general expenditures within one year	$	4,342,760

NOTE 6: LIQUIDITY AND AVAILABILITY (continued)

Based on the table above, the Organization has $4,342,760 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization's financial assets have been reduced by $874,236, which was not available for general use because of donor imposed restrictions as of June 30, 2021; however, the restrictions are expected to be released within one year of the balance sheet date.

In addition to cash-on-hand, the Organization is able to meet its liquidity needs through effective management of accounts receivables. For the fiscal year ended June 30, 2021, the Organization's accounts receivable turnover ratio was relatively high at 17.73, which indicates that accounts receivables are collected quickly to positively impact liquidity and cash flows.

NOTE 7: NOTES PAYABLE

During December 2017, the Organization refinanced an existing line of credit of $450,000 with the proceeds of a term note payable in the amount of $450,000 from a board member's private foundation. The note will be amortized over a ten-year period with payments of principal and interest at 5% due monthly and a final maturity of November 30, 2027. Payments on the note were suspended during the year ended June 30, 2021 due to the Covid-19 pandemic until further notice. The outstanding balance of the note as of June 30, 2021 was $367,366.

On December 18, 2019, the Organization obtained a note payable in the amount of $750,000 from First Republic Bank. The note is payable in monthly installments of principle and interest of $3,584 with a fixed interest rate of 3.95% per annum. The notes has a maturity date of December 18, 2029 and is secured by all of the Organization's assets including a deed of trust for the property located at 10881 Mac Street in the city of Anaheim, California. The Organization is required to maintain certain financial ratio covenants under the agreement. The Organization was in compliance with all covenants as of June 30, 2021. The outstanding balance of the note as of June 30, 2021 was $729,590, of which $14,026 is included in current liabilities.

On February 5, 2021, the Organization obtained an unsecured loan from IHLLC (see note 4) for $1,800,000 to assist with the funding of tenant improvements for the Riverside Recuperative Care facility. The loan will be due in one principal payment of $1,800,000 plus unpaid interest on February 10, 2024. Beginning March 10, 2021, monthly interest-only payments are due at the rate of 5.95% per annum. The outstanding balance of the note as of June 30, 2021 was $1,800,000. On June 2, 2021, the Organization refinanced a property located at 213 North Gilbert Street in the city of Anaheim, California and obtained a 10 year note for $438,000 that is secured by a deed of trust on the property. The note will be paid with three different payment streams. The first payment stream is for 60 monthly consecutive principal and interest payments of $2,256 beginning July 15, 2021, with interest calculated at 3.70% per annum.

NOTE 7: NOTES PAYABLE (continued)

Beginning July 15, 2026, 59 monthly consecutive principal and interest payments with interest calculated using an index of the weekly average 10-year Nominal Constant Maturity U.S. Treasury rate plus a margin of 2.5%. On June 15, 2031, one principal and interest payment will be due with interest calculated using the same index as the second stream above. The outstanding balance of the note as of June 30, 2021 was $438,000, of which $10,857 is included in current maturities.

The Organization financed the purchase of eight vehicles for periods ranging from 4 to 6 years and with monthly payments ranging from $334 to $595, including interest ranging from 0% to 7.09%, through June 2027. The outstanding balance of these vehicle loans as of June 30, 2021 was $165,450, of which $34,354 is included in current maturities.

During the year ended June 30, 2021, the Organization obtained a short-term loan for $125,000 from a related party as described in Note 15. The balance of the loan as of June 30, 2021 was $125,000.

Maturities of notes payables are as follows:

Year ended June 30,	Amount
2022	$ 184,237
2023	61,980
2024	1,860,316
2025	58,975
2026	53,000
Thereafter	1,406,898
Total	$ 3,625,406

NOTE 8: LINE OF CREDIT

During December 2017, the Organization entered into a line of credit agreement with a board member’s private foundation providing for borrowings of up to $500,000 through December 1, 2027. The outstanding balance of the line of credit accrues annual interest at 5% with principal and interest becoming due on December 1, 2027. As of June 30, 2021, the outstanding balance on the line of credit was $500,000.

NOTE 9: PAYCHECK PROTECTION PROGRAM CONTRIBUTION

On April 30, 2020, the Organization was granted a loan from First Republic Bank for $2,089,200, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020 in response to the coronavirus pandemic (see Note 16). Under the CARES Act, the PPP loan is intended to allow businesses to cover eligible expenses, including payroll, benefits, rents and utilities.

In June of 2021, the PPP loan was paid in full by the Small Business Administration and the Organization has no further obligation to the bank as of June 30, 2021. The Organization has elected to account for the PPP loan in accordance with the guidance under FASB ASC 958-605 as a conditional contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the conditions of the loan were met. As of June 30, 2021, the Organization has substantially met all the conditions of the PPP program and therefore has recognized the full grant amount in the accompanying statement of operations as contribution income.

NOTE 10: LONG-TERM SERVICE OBLIGATION

During December of 2016, the Organization completed the construction of a shelter located in Stanton, CA with the proceeds of a $544,000 advance for future services from Children and Families Commission of Orange County (CFCOC) and in-kind contributions of $616,163. Under the agreement with CFCOC, the Organization is obligated to provide emergency shelter and other support services valued at $544,000 to meet basic needs of homeless families with children ages 0-5 through December 31, 2031.

This service obligation, which is collateralized by a deed of trust on the property, is being amortized as services are provided with an imputed interest rate of 3.25%. During the year, the Organization provided $58,893 in services related to this obligation, resulting in an unamortized service obligation of $254,231 as of June 30, 2021, of which $54,311 is included in current liabilities in the statement of financial position.

NOTE 11: LEASES

The Organization leases various facilities for its programs with lease terms ranging from monthly to fifteen years. On July 1, 2018, the Organization relocated its main office to Orange, California and signed a five-year lease with payments due monthly in the amount of $9,235 and adjusted periodically for the cost of living. The lease expires on June 30, 2023. In November 2016, the Organization signed a lease agreement for a housing facility in Los Angeles County, which is utilized for homeless patients being discharged from hospitals under the recuperative care program.

NOTE 11: LEASES (continued)

The lease was subsequently renewed on May 1, 2018, and then again on August 18, 2021, with payments due monthly in the amount of $19,612 and with an expiration date of March 31, 2022.

On February 27, 2020, the Organization entered into an agreement to lease a facility in Fullerton, California for a fifteen-year term. The facility is used as a recuperative care and navigation center for the recuperative care program. The lease monthly payments are $30,625 with annual increases of 1.5% and will mature on February 28, 2026. The total security deposit is $1,125,000, of which $450,000 was paid upon execution of the agreement. The remaining $675,000 is being paid over a five-year period with monthly installments of $11,250 included with the monthly rent. The facility was put into service in October 2020. Total leasehold improvements of $5,893,677 were capitalized during the year ended June 30, 2021 and are included in property and equipment in the accompanying statement of financial position.

The Organization has two rental lease agreements with the affiliated LLC's described in Note 4. The first lease is for a facility located in Anaheim, California, which began on January 21, 2020 for a three-year term with monthly payments of $34,245. This lease offers the Organization two options to renew the lease for two years each. The second lease began on April 20, 2020 for a property also located in Anaheim, California with monthly rent payments of $4,651 and a three-year term.

Lease and rental facilities expense for the year ended June 30, 2021 was $2,016,924. Minimum future lease obligations for all facilities and equipment are as follows:

Year ended June 30,	Amount
2022	$ 1,168,637
2023	814,111
2024	396,049
2025	393,562
2026	397,881
Thereafter	3,707,379
Total	$ 6,877,619

NOTE 12: LITIGATION

The Organization is involved in litigation in the normal course of its operations which management believes are adequately covered by insurance.

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 consists of the following and were restricted for the following purposes:

Program		Amount
Children and Family's Programs	$	337,259
Children's Recuperative Care		110,449
Children's Resource Center		38,506
Covid-19 Support		11,016
LA Homeless Challenge		98,358
OCCT 2021 Fund-A-Need		130,500
Samaritan		48,148
Wells Fargo		100,000
Total	$	874,236

NOTE 14: FUNDING SOURCES

The Organization is funded through government, corporate, foundation and individual grants and contributions and fees for services from hospitals discharging homeless patients. Program service fees included in the accompanying financial statements for the year ended June 30, 2021 consist of the following:

Recuperative Care Program		
DHS - Greater Los Angeles Area	$	4,250,425
County of Orange - Whole Person Care Program		1,352,340
Inland Empire HP		2,235,040
Various Southern California hospitals		646,717
Total Recuperative Care Program		8,484,522
Health Home Project		442,443
Total program service fees	$	8,926,965

NOTE 15: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Organization paid rents and security deposits totaling $703,545 to various entities and individuals affiliated with the Organization and board members. In the opinion of management, these rent payments, which are included in rental and security deposit expense accounts, are at or below prevailing market rates.

NOTE 15: RELATED PARTY TRANSACTIONS (continued)

The Organization obtained a line of credit and a note payable from a board member's private foundation and are described in Note 7 and Note 8. In addition, the CFO extended short-term loans to the Organization totaling $200,000 during the year and all loans have been paid in full as of June 30, 2021.

During the year ended June 30, 2021, the Organization provided services to a related non-profit community clinic, Integrated Community Healthcare Services ("ICHS"), and recognized program service fees of $78,531. ICHS extended a short-term loan to the Organization for $125,000 and the loan was outstanding as of June 30, 2021. The Organization's COO is also a program administrator at ICHS.

On May 1, 2020, the Organization entered into a management service agreement with Clark Lew Medical Corp dba Illumination Foundation Medical Group ("IFMG") to provide administrative services and allow IFMG to use the Organization's facilities and equipment for a monthly fee of $10,000. The Organization's controller is also the controller for IFMG. During the year ended June 30, 2021, the Organization paid expenses totaling $94,012 on behalf of IFMG, earned management fees of $60,000, and advanced funds totaling $410,976 to IFMG for operations. As of June 30, 2021, the Organization has a receivable balance from IFMG totaling $564,989 and is reported in the accompanying statement of financial position as a current asset.

NOTE 16: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and worldwide. The coronavirus outbreak resulted in federal, state and local governments and private entities mandating various restrictions, including travel, in public gatherings, stay at home orders and quarantining of people who may have been exposed to the virus. In response to the pandemic and the various restrictions, the Organization has adjusted its operations to protect its employees and program participants from the virus while effectively providing services via virtual platforms when permitted. The Organization has received significant support from various federal and local agencies to assist with COVID-19 relief efforts and assistance for homeless individuals that have been affected by the pandemic. As management continues to evaluate the impact that this global pandemic will have on future operations, management believes that the Organization can continue its operations, as the funding from federal and state programs has not been affected by the coronavirus pandemic.

THE ILLUMINATION FOUNDATION

Single Audit Report on Federal Awards

For the Year Ended June 30, 2021

Stephens, Reidinger & Beller LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Illumination Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Illumination Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Illumination Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Illumination Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Illumination Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Illumination Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 10, 2021

Stephens, Reidinger & Beller LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Illumination Foundation

Report on Compliance for Each Major Federal Program

We have audited The Illumination Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Illumination Foundation's major federal programs for the year ended June 30, 2021. The Illumination Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Illumination Foundation's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Illumination Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Illumination Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, The Illumination Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of The Illumination Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Illumination Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Illumination Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 10, 2021

THE ILLUMINATION FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2021

Federal Grantor/ County Program Name	CFDA No.	Name of Pass-through Entity	Grant Identifying Number	Awards Expended
Department of Housing and Urban Development				
Community Development Block Grant Entitlement Grants				
COVID 19 CARES ACT CDBG-CV	14.218	City of Fullerton, CA	B-20-MW-06-0584	$ 313,285
Total Community Development Block Grant				313,285
Total CDBG - Entitlement Grants-Cluster				313,285
Emergency Solutions Grant				
Emergency Solutions Grant	14.231	City of Anaheim, CA	E-17-MC-06-0501	74,702
Emergency Solutions Grant	14.231	City of Garden Grove, CA	E-20-MW-06-0505	355,003
COVID-19 CARES ACT Emergency Solutions Grant	14.231	City of Santa Ana, CA	E-20-MW-06-0508	2,326,361
COVID-19 CARES ACT Rapid Rehousing Grant	14.231	Family Solutions Collaborative	20-ESGCV1-00008	20,035
COVID-19 CARES ACT Diversion Grant	14.231	Family Solutions Collaborative	20-ESGCV1-00008	10,604
Total Emergency Solutions Grant				2,786,705
Home Investment Partnerships Program				
HOME-TBRA	14.239	City of Anaheim, CA	M-17-MC-06-0502	643,649
Total Home Investment Partnership Program				643,649
Continuum of Care				
Continuum of Care - Stanton Service Center	14.267	Direct	CA1121L9D021806	129,798
Continuum of Care - Stanton Service Center	14.267	Direct	CA1121L9D021907	300,901
Continuum of Care - Street2Home	14.267	Direct	CA1512L9D021803	492,712
Continuum of Care - Street2Home	14.267	Direct	CA1512L9D021904	1,220,037
Total Continuum of Care				2,143,448
Total U.S. Department of Housing and Urban Development				5,887,087

THE ILLUMINATION FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2021

Federal Grantor/ County Program Name	CFDA No.	Name of Pass-through Entity	Grant Identifying Number	Awards Expended
U.S. Department of the Treasury				
COVID-19 CARES ACT Coronavirus Relief Fund	21.019	City of Riverside, CA		$ 2,746,243
COVID-19 CARES ACT Coronavirus Relief Fund	21.019	City of Fullerton, CA		1,092,000
COVID-19 CARES ACT Coronavirus Relief Fund	21.019	County of Orange, CA	MA-042-20011497	14,231,424
Total U.S. Department of the Treasury				18,069,667
Total Expenditures of Federal Awards				$ 23,956,754

THE ILLUMINATION FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Illumination Foundation under programs of federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Illumination Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Illumination Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule presents the expenses incurred by The Illumination Foundation that are reimbursable under federal programs of federal financial assistance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Illumination Foundation has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

THE ILLUMINATION FOUNDATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

PRIOR PERIOD AUDIT REPORT

There were no audit findings in the previous year.

THE ILLUMINATION FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. An unmodified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control nor were there any significant deficiencies based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses nor were there any significant deficiencies in internal control over major programs of the auditee.
5. An unmodified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditor's to be reported in accordance with 2 CFR Section 200.516(a).
7. The major programs of the auditee tested included Emergency Solutions Grant - CFDA #14.231, Home Investment Partnership Program - CFDA # 14.239, and Continuum of Care - CFDA #14.267 all from U.S. Department of Housing and Urban Development.
8. The dollar threshold used to distinguish Type A and Type B programs was $750,000.
9. The auditee met the requirements of a low-risk auditee for the year ended June 30, 2021 for purposes of major program determination.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There were no auditor's findings required to be reported in accordance with GAGAS.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no auditor's findings or questioned costs to be reported in accordance with 2 CFR Section 200.516(a).